

China's International Energy Cooperation Strategy from the Perspective of the Belt and Road Initiative

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Abstract. International energy cooperation under the Belt and Road initiative plays a significant role in maintaining energy security and promoting economic and social development in China. This paper states the important progress made by China's international bilateral, multilateral and industrial energy cooperation under the Belt and Road initiative, and puts forward challenges faced by China's international energy cooperation in terms of the geopolitical layout, the influence of developed economies (USA, Europe and Japan), and interests of energy cooperation. Finally, from the aspects of deepening cooperation mechanism, enriching cooperation means and strengthening new energy cooperation, this paper puts forward countermeasures and suggestions to strengthen China's international energy cooperation under the Belt and Road initiative.

1. Introduction

The construction of the Belt and Road initiative is a major strategic decision made by the Party Central Committee with Xi Jinping as the General Secretary to respond to profound changes in the global situation and to coordinate the two major domestic and international situations. With the increasingly fierce competition in international energy, the global energy market pattern has become more volatile, and China's external dependence on energy has been rising, which makes the international environment faced by China's energy security and development more complicated and severe than the industrialization of developed countries.

The Belt and Road initiative involves 65 countries and regions, including Middle East countries like Saudi Arabia, Iran and Kuwait, five Central Asian countries like Kazakhstan and Turkmenistan, and the CIS countries like Russia. These countries have abundant energy and resource endowments, which has laid a solid resource foundation for China's international energy cooperation under the Belt and Road initiative. According to the data analysis of BP Statistical Review of World Energy, the national oil reserves along the "The Belt and Road initiative" in 2017 were 127.6 billion tons, accounting for 55.4% of the world's total oil reserves; the output reached 2.19 billion tons, accounting for 50.2% of the world's total oil production. In terms of natural gas resources, the national reserves along the Belt and Road initiative are 165.9 trillion cubic meters, accounting for 76.1% of the world's total reserves; its output is 2,379.7 billion cubic meters, accounting for 59.5% of the world's total output. In terms of coal resources, the national reserves along the Belt and Road initiative are 354.14 billion tons, accounting for 38.9% of the world's total reserves; the output is 907.8 million tons of oil equivalents, accounting for 23.6% of the world's total output.

China has carried out fruitful bilateral and multilateral international energy cooperation with countries along the Belt and Road initiative, laying a good foundation for the implementation of China's international energy cooperation strategy. China and Russia and Kazakhstan have established a regular meeting mechanism for prime ministers to deepen energy cooperation between the two sides. China and Turkmenistan have taken the initiative of the China-Turkmenistan Energy Cooperation Subcommittee Mechanism to fully expand the space for energy cooperation. China and Indonesia set up the "China-Indonesia Energy Forum" to carry out various forms of energy cooperation.

2. New Progress in China's International Energy Cooperation under the Belt and Road Initiative

Under the background of major changes in the international structure and major adjustments in the international order, the Chinese government has taken advantage of the new opportunities of the development of the times and proposed the major strategic initiative to fully cooperate in the energy field to create a win-win situation and even a multi-win situation to get important progress.

2.1. Significant Results in Bilateral International Energy Cooperation

Under the Belt and Road initiative, China has good international cooperation with major countries in the Middle East, Central Asia and Russia. China actively promotes peace in the Middle East in order to stabilize the Middle East energy supply pipeline and enter the integration stage with Russia's energy. Also the energy cooperation in South Asian countries is also progressing smoothly. China is forming its own international energy cooperation system to help China's economy deepen its global division of labor system.

Energy cooperation is a solid foundation for cooperation between China and Middle East countries like Saudi Arabia. Saudi Arabia has been China's largest crude oil supplier for many years. In 2017, China imported 52.18 million tons of crude oil from Saudi Arabia, accounting for 12.4% of China's total imports. China and Saudi Arabia will strengthen the development strategy docking, jointly promote the in-depth cooperation within the framework of the Silk Road Economic Belt and the 21st Century Maritime Silk Road construction, strengthen energy policy coordination, improve energy cooperation level, and build a long-term stable Sino-Saudi energy cooperation community. China and Russia are the world's major energy consumers and producers, and the complementary advantages of energy cooperation are obvious. Russia is a global energy resource great nation. In 2017, its oil and natural gas production ranked second in the world, accounting for 12.6% and 17.3% of the world respectively. As the world's second largest economic entity, China's rapid economic growth continues to demand strong energy resources, which provides new opportunities for energy cooperation between the two sides. China and Russia have adopted the regular meeting mechanism of the prime minister as a platform, and energy cooperation has entered a stage of comprehensive strategic partnership. The energy cooperation between China and Central Asian countries has been enriched and deepened, and it has become an important measure for the construction of the Silk Road Economic Belt. China and Kazakhstan have strengthened their energy strategic partnerships. The two sides have actively promoted the expansion of the crude oil pipeline, and China and Turkmenistan have built a comprehensive energy cooperation pattern and accelerated oil and gas field exploration, oil and gas processing, and cooperation in the field of clean energy.

2.2. Gradually Deepening Regional International Energy Cooperation

China takes the China-Arab Cooperation Forum, the SCO Summit, the ASEAN+3 Energy Ministers Meeting Mechanism and the East Asia Summit Energy Ministers Meeting Mechanism as the platform to actively strengthen international energy cooperation under the regional framework of the Belt and Road initiative to actively protect regional energy security and promote a reliable foundation for economic development.

As a fruitful strategic cooperation mechanism, the China-Arab Cooperation Forum has greatly promoted energy cooperation between China and the Arab countries. China and the Arab countries will strengthen cooperation in the fields of oil and gas, renewable energy, energy efficiency and nuclear energy to achieve mutual benefit and win-win results. The SCO member states established the Senior Officials Committee of the Economic and Trade Ministers Meeting and the Energy Cooperation Working Group to provide a mechanism guarantee for international energy cooperation. The SCO and the Silk Road Economic Belt construction, the Eurasian Economic Union construction will promote each other and integrate with each other, and continue to deepen cooperation in the energy field. The Shanghai Cooperation Organization Development Bank and Development Fund, which are being actively established, will also provide strong impetus for

energy infrastructure construction. China relies on the ASEAN+3 Energy Ministers Meeting Mechanism and the East Asia Summit Energy Ministers Meeting Mechanism to strengthen energy cooperation with ASEAN countries, and accelerate cooperation in areas including coal and clean coal technology applications, renewable energy and ASEAN energy center upgrades.

3. Challenges Faced by China's International Energy Cooperation under the Belt and Road Initiative

In the complicated situation of the international energy pattern, China has strengthened its position and influence in the regional energy pattern of the Belt and Road initiative, but still faces challenges including complex geopolitical layout, developed countries related issues such as the US, Europe and Japan, and energy interests game in the countries along the line.

3.1. Complicated Geopolitical Layout

The Belt and Road initiative involves a complex and varied relationship between the country and the geopolitical economy. From a global perspective, it is the intersection of east and west and north and south. It is also the focus of the big countries' competition for resources and global influence. The traditional hot issues left in the Middle East, South Asia and Southeast Asia along the Belt and Road initiative, with the contradictions of territorial disputes between important countries, have brought great uncertainty and complexity to the further development of international energy cooperation.

The Middle East is located in an important geographical and energy strategic point and has always been a key area for the game of major powers in the world. The political game in the Middle East continues, the conflict between religion and ethnicity, the collision of Islamic doctrine with secular power, the big game between regional powers and the reorganization of relations between regional countries, which have led to various uncontrollable factors, and the intensification of the Middle East turmoil will continue to affect international energy market structure. Although Sino-Vietnamese and Sino-Philippine relations are now easing, the South China Sea issue has gradually evolved from territorial disputes and sea disputes to geopolitical, resource development.

3.2. Common Energy Market Need Established

China and its major energy importing countries, including Japan, India and South Korea, are highly dependent on Middle East crude oil. In 2017, the Middle East exported 683 million tons of crude oil to China and neighboring countries, accounting for 69.5% of the total exports of the Middle East. However, because there is no crude oil futures market similar to the common interests of the New York Mercantile Exchange and the London International Petroleum Exchange, it has long been a higher price than the European and American countries to import crude oil from the Middle East, forming a premium in the energy market.

Along with the continuous economic growth of China and neighboring countries, the demand for oil and gas resources is gradually rising, and the energy premium of oil and gas resources will undoubtedly seriously damage the competitiveness of the economy. China and neighboring countries share common interests in the energy sector. They hope to reduce energy transaction costs, optimize the allocation of energy resources, enhance the energy supply's ability to resist risks, and form an open and stable peripheral energy market. These constitute the long-term basis for cooperation. China and its neighboring countries need to unite, strengthen cooperation in the energy field, and establish a common energy market to ensure common interests.

4. Suggestions on Deepening International Energy Cooperation under the Belt and Road Initiative

Under the strategic support and mechanism guarantee provided by the Belt and Road initiative, the energy cooperation mechanism should be deepened and various cooperation means should be used

to continuously deepen the energy cooperation field and space.

4.1. Deepening the Energy Cooperation Mechanism and Broadening the Cooperation Field

The further development of international energy cooperation under the Belt and Road initiative should give full play to the energy cooperation mechanism within the region, and should adopt bilateral mechanisms such as the regular meeting mechanism between the Chinese and Russian prime ministers, the China-Kazakhstan Energy Cooperation Subcommittee, and the China-Indonesia Energy Cooperation Forum, the China-Arab Cooperation Forum, the SCO, the ASEAN+3 Energy Ministers Meeting Mechanism and the East Asia Summit Energy Ministers Meeting Mechanism and other multilateral Dialogue Mechanisms as a platform to build an organization and coordination mechanism for countries energy cooperation, and promote energy policies coordination of countries along the Belt and Road region and deepen energy cooperation and interconnection among countries in the region.

In the choice of international energy cooperation, we must fully consider the complexity of energy cooperation along the Belt and Road region and the diversity of energy demand. We will focus on energy cooperation, improve the interconnection and cooperation of energy infrastructure, and jointly maintain the safety of transport corridors such as oil and gas pipelines. Gradually expand the size of currency swaps along the Belt and Road, form a currency swap network covering countries along the Belt and Road, and strengthen the role of multilateral financial institutions such as the AIIB and Silk Road Fund and policy financial institutions along the Belt and Road initiative to provide more strong supports for projects like energy infrastructure, resource development, industry cooperation, energy finance cooperation.

4.2. Promoting the Construction of the Energy Common Market and Promoting the Interconnection of Energy Facilities

China and its neighboring countries have high energy production and huge consumer demand, as well as significant regional advantages in oil and gas futures. Oil and gas futures exchanges for Northeast Asia, Central Asia, South Asia and the ASEAN should be established. The integration of regional oil and gas futures exchanges should be accelerated when conditions are ripe, thus forming an oil and gas resource pricing center in Asia to control the pricing power of oil and gas resources.

Second, strengthen the construction of a regional petroleum strategic reserve system. China, Japan, South Korea and India have established or are establishing a petroleum strategic reserve system. The four countries need not only to improve their oil reserve infrastructure and increase their inventories, but also to strengthen coordination and cooperation at the institutional and mechanism levels and establish corresponding strategic reserve system's releasing mechanism, jointly put a certain reserve into the market, maintain sufficient supply of oil and price stability, ensure regional energy security, and alleviate the adverse effects caused by crude oil price shocks and other external supply disruptions. Finally, promote the interconnection of energy facilities in China and surrounding regions. China and neighboring countries have broad space for cooperation in oil pipelines and natural gas terminal construction. Under the Belt and Road Initiative, China should focus on energy infrastructure construction, energy finance and energy production capacity, and increase oil and gas development and energy trade cooperation in other links, so as to actively promote the interconnection of energy infrastructure with neighboring countries and lay a solid foundation for promoting the regional common oil and gas market.

4.3. Role of Active Energy Enterprises

Energy companies are implementers of cooperation agreements at the regional energy cooperation mechanism level and at the government level, also the main body of international cooperation under the Belt and Road initiative. They should take the central enterprises, such as CNPC, SNP and CNOOC, as the mainstay, actively carry out oil and gas exploration and exploitation, energy processing, energy facilities construction and other projects, as well as international cooperation in countries along the Belt and Road, emphasizing advantages of China and the integrating degree

with cooperation countries, highlighting the “amity, sincerity, mutual benefit and inclusiveness” principle and characteristics of Chinese projects, and exploring and implementing Chinese standards for international cooperation projects based on mutual benefit and win-win to improve public opinion and strengthen communication, enhance the image of Chinese enterprises, and promote smooth cooperation of oil and gas project under the Belt and Road initiative. It is necessary to strengthen bilateral international exchanges and cooperation in the civil and academic circles, and establish a civil or semi-government energy cooperation association (or forum) to regularly exchange and negotiate regional energy issues, accelerate the demonstration and pre-study of some feasible programs and strive to promote the energy cooperation.

5. Conclusions

The Belt One Road initiative is a great vision for economic integration of China with Asia, Europe and Africa. Since the inception of this vision in late 2013, the Chinese government has made it a paramount national strategy. The initiative provides a blueprint of a strong integration of China into the world economy and represents the commitment of the Chinese government to a more open economy. This paper put forward the important progress made by China in the multilateral and new energy cooperation under the Belt and Road initiative, and stated challenges faced by China’s international energy cooperation in terms of the geopolitical politics, the influence of developed economies, and benefits of energy cooperation. In the end, the paper this paper put forward countermeasures and suggestions to strengthen China’s international energy cooperation under the Belt and Road initiative.

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